

HEARING ON ASSESSMENT OF ADMINISTRATIVE COMPLIANCE WITH INTERNAL CONTROLS

HEARING BEFORE THE COMMITTEE ON HOUSE ADMINISTRATION HOUSE OF REPRESENTATIVES ONE HUNDRED TENTH CONGRESS SECOND SESSION

HELD IN WASHINGTON, DC, MAY 21, 2008

Printed for the use of the Committee on House Administration



Available on the Internet:
<http://www.gpoaccess.gov/congress/house/administration/index.html>

U.S. GOVERNMENT PRINTING OFFICE

44-089

WASHINGTON : 2008

For sale by the Superintendent of Documents, U.S. Government Printing Office
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**ASSESSMENT OF ADMINISTRATIVE
COMPLIANCE
WITH INTERNAL CONTROLS
WEDNESDAY, MAY 21, 2008**

HOUSE OF REPRESENTATIVES,
COMMITTEE ON HOUSE ADMINISTRATION,
Washington, DC.

The committee met, pursuant to call, at 11:04 a.m., in Room 1310, Longworth House Office Building, Hon. Robert A. Brady [chairman of the committee] Presiding.

Present: Representatives Brady, Lofgren, Capuano, Davis of California, Ehlers, Lungren, and McCarthy.

Staff Present: Liz Birnbaum, Staff Director; Charles Howell, Chief Counsel; Matt Pinkus, Professional Staff/Parliamentarian; Ellen McCarthy, Professional Staff Director; Kyle Anderson, Press Director; Cristin McCowan, Chief Legislative Clerk; Gregory Abbott, Policy Analyst; Fred Hay, Minority General Counsel; Alec Hoppes, Minority Professional Staff; and Bryan T. Dorsey, Minority Professional Staff.

The CHAIRMAN. Good morning, everyone. I would like to call our hearing on House Administration to order and welcome everybody, and thank you all for being here. A lot of things are happening. Our ranking member is in another committee, and he is going to be on his way. And other members are probably doing other legislative business, but I am sure that they will be here when they get a chance to be here. And we do appreciate you being here today.

During the transition between the 109th and 110th Congress, the House Inspector General was conducting a routine audit. He was looking at the House system for uncovering and limiting duplicate payments. His investigators found the troubling record of embezzlement by one employee of the House. An employee defrauded the House of more than \$160,000, a crime that was made easier by the fact that the employee was employed by several different congressional offices, and none of them knew the duplicate charges were made by the others. The IG brought the findings of embezzlement to our committee on February 2, 2007. The criminal procedure against that one employee took its course. But we then asked the IG to conduct a further review, how did the system of shared employees make congressional offices vulnerable to waste, misuse of data or even outright theft, and what could we do about it?

The original defendant was sentenced May 2nd. Today we will hear the results of the IG's further review. The point of this review is not to name any names or point any fingers. I have asked the IG not to use any names during this hearing, and I asked the Members of the committee to avoid this as well. Our purpose here

is to find out where we are vulnerable and what we can do to secure the House funds and data. We will hear today from the IG, and some, not all, but some of these employees have ignored the controls we already have in place to prevent abuse. Further controls may also be necessary.

I really want to hear what you have to say about what we can do to protect ourselves with further controls so we don't have to come in front of you or our employees got to come back in front of you. So I look forward to the IG's findings. We have no intent to eliminate shared employees or to interfere with the benefits they offer to congressional offices. But would take all necessary steps to address the problems the IG has identified and protect the House. I would like to recognize Mr. Lungren if he has anything, or Mr. McCarthy. Mr. Lungren, do you have anything to say.

[The statement of Mr. Brady follows:]

**Committee on House Administration
Hearing on the
“Assessment of Administrative Compliance with Internal Controls”
Chairman Robert A. Brady
Opening Statement
May 21, 2008
11:00 a.m.**

Good morning. The hearing will come to order.

During the transition between the 109th and 110th Congresses, the House Inspector General was conducting a routine audit. He was looking at the House system for uncovering and eliminating duplicate payments. His investigators found a troubling record of embezzlement by one employee of the House. She had defrauded the House of more than \$160,000, a crime that was made easier by the fact that she was employed by several different congressional offices – and none of them knew of the duplicate charges being made to the others.

The IG brought the findings of embezzlement to our committee in February 2007, shortly after we took control of the House. The criminal proceeding against that one employee took its course. But we then asked the IG to conduct a further review – how did the system of shared employees make congressional offices vulnerable to waste, misuse of data, or even outright theft – and what could we do about it?

The original defendant was sentenced on May 2nd. Today we will hear the results of the IG’s further review. The point of this review is not to name any other names or point fingers. I have asked the IG not to use any names during this hearing, and I’ll ask the Members of the committee to avoid this as well. Our purpose here is to find out where we are vulnerable, and what we can do to secure House funds and data.

What we will hear today from the IG is that some – not all, but some – of these employees have ignored the controls we already have in place to prevent abuse. Further controls may also be necessary.

I look forward to the IG’s findings. We have no intent to eliminate shared employees, or to interfere with the benefits they offer to congressional offices. But we will take all necessary steps to address the problems the IG has identified and protect the House.

Mr. LUNGREN. Just briefly, Mr. Chairman. I agree with you that we have no intent to get rid of the idea of shared employees. But it is the obligation of this committee to set ground rules and make sure it is very clear to Members and shared employees as to how they ought to operate. And I think that is a bipartisan approach, and I thank you for the hearing.

The CHAIRMAN. Thank you. Right now I would like to welcome our panel. Jim Cornell is our inspector general. He has served the IG's office since 2004 and is an accountant and certified government financial manager by training. I also would like to welcome Dan Beard as the Chief Administrative Officer of the House. Dan's experience on the Hill is wide and diverse. He began his career in CRS, then went to the White House, the Department of Interior and then returned to the House in numerous capacities. Thank you, Dan and Jim, today for your participation.

**STATEMENTS OF JAMES J. CORNELL, INSPECTOR GENERAL,
UNITED STATES HOUSE OF REPRESENTATIVES; AND HON.
DANIEL P. BEARD, CHIEF ADMINISTRATIVE OFFICE, UNITED
STATES HOUSE OF REPRESENTATIVES**

The CHAIRMAN. First we will hear from our IG, Mr. Cornell.

STATEMENT OF JAMES J. CORNELL

Mr. CORNELL. Thank you Mr. Chairman and members of the committee. I am pleased and honored to appear before you today in my capacity as the Inspector General of the House. My office plays a vital role in helping to ensure integrity and identify opportunities for improvement in our House financial and administrative processes. In the past few months, we have completed work on several initiatives that have revealed significant deficiencies in the controls over shared employees. Shared employees fulfill a legitimate need. They provide technical expertise in the area of finances, information technology and general office administration through part-time positions. Recently, we identified 51 shared employees that were on the payroll of at least three and up to 14 offices each. Their availability allows congressional offices to meet their support needs without having to hire full-time personnel with requisite skills and experience. However, through our audit and investigative work, we have found three major areas where the current controls over the practices of shared employees are either unenforced or weak and in need of significant improvement. If not addressed, these control weaknesses place congressional offices at significant risk of illegal or other improper activity occurring within their financial and administrative functions.

The first of the three areas of control weakness with shared employees is inadequate oversight over their activities. In most instances, they have all the freedom of a vendor and all the benefits of an employee without the accountability one would expect with an employee. Current practices do not provide for other office staff to review their day-to-day work, ensure they attend appropriate training or stay current on House policies and procedures. Congressional offices may know their shared employee works for other offices, but they do not know how many or which ones.

Therefore, they cannot determine if there are conflicts of interest within the functions performed or with the other offices served. We identified seven financial shared employees that were employed by ten or more offices and eight IT shared employees that were serving as system administrators for 11 or more offices. In both disciplines, a few serve both majority and minority offices simultaneously. Under current practices, the work schedules of shared employees are also not monitored. Most of them are paid a flat monthly fee by the offices regardless of their time and effort expended. IT shared employees with administrator rights present an additional risk in that they often have access to multiple office's data outside of both the oversight of congressional office staff and the visibility of House security personnel. Each of these factors points to an inappropriate employer-employee relationship.

A second area where controls over shared employees need significant improvement is having mechanisms in place to ensure that the practices of this small group of personnel are in compliance with current laws and House rules. I have four areas of violations to share with you.

First and foremost, subletting or passing work to another individual not employed by the member office violates U.S. Code and House rules. A growing number of shared employees are working in illegal teaming arrangements where they pass the work off to other shared employees not on the payroll of the congressional office they are serving.

For example, three members of one financial shared employee team each work on the finances of 15 offices. However, one of the team members is only officially on the payroll of three of the offices. Six IT shared employee teams have members with administrator rights to multiple offices they are not employed by. One such team member has administrative rights to 28 congressional offices, but is only on the payroll of 10 offices. We suspect that many of these employees we identified may not even know that the practice violates current law and associated rules. Secondly, telecommuting without an approved telecommuting plan detailing the procedures to be followed actually violates House rules. Working in a commercial or any unapproved personal space, in addition to violating House rules, may also place congressional offices at risk for workers compensation or Congressional Accountability Act claims. In addition, storing official House documents off-site, a common practice amongst the financial shared employees we interviewed, violates the guidance provided in the model House employee handbook and increases the risk that sensitive information may be lost, mis-handled or inappropriately shared with others.

And lastly, using their House positions and access as a means to market their outside employment interests to other congressional offices is another practice of some shared employees that could be a violation of House ethics rules. We identified a few that can also log into document direct, a system not available to House vendors. This access to internal House vouchers and other privileged information could create an unfair practice since some shared employees are also House vendors.

The absence of compliance with existing laws and House rules in each of the above-stated areas has occurred in part because of a

lack of adequate attention to building in controls over the practices of employees serving multiple offices. The Government Accountability Office has noted that internal controls serve as a defense for preventing and detecting violations of laws and regulations as well as preventing abuse.

Ensuring adequate separation of duties is a third area of control that needs significant improvement. We identified several IT shared employees serving as system administrators for multiple offices who are set up as the only person to be alerted or notified if questionable activity occurs within the office IT systems they are servicing. Basically without another staff member being included in the alert group, a shared IT employee could violate the confidentiality, availability and integrity standards by inappropriately sharing, deleting or changing data without anyone knowing.

In the financial arena, we found in most instances the shared employees were authorizing purchases they initiated and approving financial reports on items they recorded. Some shared employees routinely provided office approval for reimbursements to themselves, entered the transactions into the office accounting system, prepared the monthly financial reports and kept the records of the individual transactions. Any congressional office with inappropriate separation of duties in their financial functions and inadequate compensating internal controls is operating in an environment conducive to fraud. I cannot stress enough the need for offices to examine their internal operations and practices to ensure they are operating with the appropriate controls. Through our audit work, we uncovered a fraud perpetrated by a shared financial administrator who provided services for three Member offices. In each of her offices, this individual performed a full range of financial services without any other Member office staff reviewing or approving her work.

Through manipulation of the trust misplaced in her and the excessive authority she was granted, she defrauded the three offices of more than \$169,000. In another ongoing investigation, we found a second financial administrator who was paid for thousands of dollars of improper expense reimbursements and bonuses that were self-approved and resulted in improper payments.

The three areas of control weakness we have identified work together to create an environment that presents significant risk to the integrity of our House financial processes and the congressional offices' ability to execute their fiduciary responsibilities.

To address them, we recommend that the committee take steps directly or through the Chief Administrative Officer to explore options for augmenting House provided financial services to member and committee offices that will both enhance the control environment and reduce the administrative burden on the individual offices.

Secondly, develop official guidelines for shared employees that address specific employment conditions and limitations based on current employment laws, House rules, policies and other CHA guidance. All shared employees should sign an acknowledgement that they have read and agree to abide by the guidelines.

Thirdly, prohibit shared employees from serving as both House employees and vendors to the House. We found this to be especially

troubling with IT shared employees who generally have administrator rights and access to all records for the Member offices they are employed by or otherwise set up to service.

Next, have the Chief Administrative Officer of the House provide Member and committee offices with quarterly reports identifying the full scope of employment for all of their shared employees. This will allow them to make any staffing adjustments they deem appropriate due to incompatible interests or excessive workload.

We also recommend requiring shared employees to file financial disclosure statements regardless of House compensation earned. In addition, depending on the nature of the functions, background investigations may be appropriate. These steps will help the House identify potential conflicts of interest and avoid undue risk. The CAO should also review and update as appropriate the content of new Member orientation, especially as it applies to shared employees.

And lastly, and perhaps most importantly, advise Members to utilize separation of duties, internal controls in their office's financial functions and provide them examples of what has happened when controls have not been in place. Mr. Chairman, I wish to thank you, Congressman Ehlers, and Members of the committee for this opportunity to address some specific and significant control weaknesses we have found during the course of our recent work. We look forward to continuing our role of providing value-added advice and counsel to the committee, House leadership, House officers and joint entities of the House as we focus on issues of strategic importance to the House. At this time, I will be happy to answer any questions you may have.

The CHAIRMAN. Thank you, Mr. Cornell.

[The statement of Mr. Cornell follows:]

**Statement of James J. Cornell, Inspector General
Office of the Inspector General
U.S. House of Representatives**

**Before the Committee on House Administration
May 21, 2008**

Chairman Brady, Ranking Member Ehlers and Members of the Committee, I am both pleased and honored to appear before you today in my capacity as the Inspector General of the House.

My office plays a vital role in helping to ensure integrity and identify opportunities for improvement in our House financial and administrative processes. In the past few months, we have completed work on several initiatives that have revealed significant deficiencies in the controls over shared employees. Shared employees fulfill a legitimate need. They provide technical expertise in the areas of finances, information technology (IT), or general office administration through part-time positions. Recently, we identified 51 shared employees that were on the payroll of at least three and up to fourteen offices each. Their availability allows congressional offices to meet their support needs without having to hire full-time personnel with the requisite skills and experience. However, through our audit and investigative work, we have found three major areas where the current controls over the practices of shared employees are either unenforced or weak and in need of significant improvement. If not addressed, these control weaknesses place congressional offices at significant risk of illegal or other improper activity occurring within their financial and administrative functions.

The first of the three areas of control weakness with shared employees is inadequate oversight over their activities. In most instances, they have all the freedom of a vendor and all the benefits of an employee, without the accountability one would expect with an employee. Current practices do not provide for other office staff to review their day-to-day work, ensure they attend appropriate training, or stay current on House policies and procedures. Congressional offices may know their shared employee works for other offices, but they do not know how many or which ones. Therefore, they can not determine if there are conflicts of interests within the functions performed or with the other offices served. We identified seven financial shared employees that were employed by ten or more offices and eight IT shared employees that were serving as system administrators for eleven or more offices. In both disciplines, a few served both Majority and Minority offices simultaneously. Under current practices, the work schedules of shared employees are also not monitored; most of them are paid a flat monthly fee by the offices regardless of the time and effort expended. IT shared employees with administrator rights present additional risk in that they often have access to multiple offices' data outside of both the oversight of other congressional office staff and the visibility of House security personnel. Each of these factors points to an inappropriate employer/employee relationship.

A second area where controls over shared employees need significant improvement is having mechanisms in place to ensure that the practices of this small group of personnel are in compliance with current laws and House rules.

- Subletting or passing work to another individual not employed by the Member office violates US Code and House rules. A growing number of shared employees are working in illegal teaming arrangements where they pass the work off to other shared employees not on the payroll of the congressional office they are serving. For example, three members of one financial shared employee team each work on the finances of 15 offices. However, one of the team members is only officially on the payroll of three of the offices. Six IT shared employee teams have members with administrator rights to multiple offices they are not employed by. One such team member has administrator rights to 28 congressional offices but is only on the payroll of ten offices. We suspect that many of these employees we identified may not even know this practice violates current law and associated rules.
- Telecommuting, without an approved telecommuting plan detailing the procedures to be followed, violates House rules. Working in a commercial or any unapproved personal space, in addition to violating House rules, may also place congressional offices at risk for workers compensation and Congressional Accountability Act claims.
- Storing official House documents off site, a common practice amongst the financial shared employees we interviewed, violates the guidance provided in the Model House Employee Handbook and increases the risk of sensitive information being lost, mishandled, or inappropriately shared with others.
- Using their House positions and access as a means to market their outside employment interests to the congressional offices is another practice of some shared employees that could be a violation of the House Ethics Rules. Some shared employees can also log into Document Direct; a system not available to House vendors. This access to internal House vouchers and other privileged information could create an unfair practice, since some shared employees are also House vendors.

The absence of compliance with the existing laws and House rules in each of the above stated areas has occurred, in part, because of the lack of adequate attention to building in controls over the practices of employees serving multiple offices. The Government Accountability Office has noted that internal controls serve as a defense for preventing and detecting violations of laws and regulations and preventing abuse.

Ensuring adequate separation of duties is the third area of control that needs significant improvement. We identified several IT shared employees serving as system administrators for multiple offices, who are set up as the only person to be alerted or notified if questionable activity occurs within the office IT systems they are servicing.

Basically, without another staff member being included in the alert group, a shared IT employee could violate the confidentiality, availability, and integrity standards by inappropriately sharing, deleting, or changing data without anyone knowing.

In the financial arena, we found in most instances the shared employees were authorizing purchases they initiated and approving financial reports on the items they recorded. Some shared employees routinely provided office approval for reimbursements to themselves, entered the transactions into the office accounting system, prepared the monthly financial reports, and kept the records of the individual transactions. Any congressional office with inappropriate separation of duties in their financial functions and inadequate compensating internal controls is operating in an environment conducive to fraud. I cannot stress enough the need for offices to examine their internal operations and practices to ensure they are operating with the appropriate controls.

Through our audit work, we uncovered a fraud perpetrated by a shared financial administrator who provided services for three Member offices. In each of her offices, this individual performed the full range of financial services without any other Member office staff reviewing or approving her work. Through manipulation of the trust misplaced in her and the excessive authority she was granted, she defrauded the three offices of more than \$169,000. In another ongoing investigation, we found a second financial administrator who was paid for thousands of dollars of improper expense reimbursements and bonuses that were self-approved and resulted in improper payments.

The three areas of control weaknesses we have identified work together to create an environment that presents significant risk to the integrity of our House financial processes and the congressional offices' ability to properly execute their fiduciary responsibilities. To address them, we recommend that the Committee take steps directly or through the Chief Administrative Officer (CAO) to:

- Explore options for augmenting House provided financial services to Member and Committee offices that will both enhance the control environment and reduce the administrative burden on the individual offices.
- Develop *Official Guidelines for Shared Employees* that address specific employment limitations and conditions based on current employment laws, House rules, policies, and other CHA guidance. All shared employees should sign an acknowledgement that they have read and agree to abide by the guidelines.
- Prohibit shared employees from serving as both House employees and vendors to the House. We found this to be especially troubling with IT shared employees who generally have administrator rights and access to all records for the Member offices they are employed by or otherwise set up to service.
- Have the Chief Administrative Officer of the House provide Member and Committee offices with quarterly reports identifying the full scope of employment for all of their shared employees. This will allow them to make any staffing adjustments they deem appropriate due to incompatible interests or excessive workload.

- Require shared employees to file Financial Disclosure statements, regardless of House compensation earned. In addition, depending on the nature of their functions, background investigations may be appropriate. These steps will help the House identify potential conflicts of interest and avoid undue risks.
- Review and update, as appropriate, the content of the New Member Orientation, especially as it applies to shared employees.
- Lastly and perhaps most importantly, advise Members to utilize separation of duties internal controls in their office's financial functions and provide them examples of what has happened when controls have not been in place.

Mr. Chairman, I wish to thank you, Congressman Ehlers, and the Members of the Committee for this opportunity to address some specific and significant control weaknesses we have found during the course of our recent work. We look forward to continuing our role of providing value-added advice and counsel to the Committee, House Officers, and joint entities of the House, as we focus on issues of strategic importance to the House. At this time, I would be happy to answer any questions you may have.

The CHAIRMAN. Before we get to Mr. Beard I would like to ask our ranking member, Mr. Ehlers if he has a statement that he would like to make.

Mr. EHLERS. Thank you, Mr. Chairman. I will be very brief. I apologize for being late, but I was presenting a bill at another committee and I wanted that bill to pass, and so I had to stay until they were finished with questioning me. But I just want to express my appreciation to the IG for the work that has been done and I don't see any impossible problems here. It is just a matter of getting our House in order. I think that shouldn't be too hard to do. And we will work on this cooperatively, make it a nonpartisan effort, to make sure that all the rules are understood by everyone involved and are followed by everyone involved. With that I yield back. Thank you.

[The statement of Mr. Ehlers follows:]



[After Chairman Brady's opening remarks]

Thank you Chairman Brady. I look forward to receiving testimony from our witnesses so that we may strengthen our internal controls and administrative processes within the House to better protect Members. I understand that the report submitted today by the Inspector General, Mr. Cornell, will include certain risks specific to "shared employees," who provide their services out to several House offices at a time. In at least one instance, the prosecution of a former shared employee revealed that Members are being exposed to financial liability by a lack of internal controls, which I find extremely alarming. We must enact swift changes to address these gaps. I also look forward to hearing from the Chief Administrative Officer, Mr. Beard, on his current and future plans to prevent future transgressions through better training and support for offices that retain shared employees.

It is important to note, however, that hiring shared employees is perfectly allowable under current regulations and is extremely beneficial to many offices. The use of



shared employees has grown as offices have recognized the benefit of retaining these individuals to handle administrative work, such as finance and technology support, while saving staff slots and the additional dollars required to pay full-time staff. We must ensure that the Committee continues to anticipate and adapt to these kinds of evolving business practices, so that we better protect Members from the potential for fraud.

In issuing his report, the Inspector General not only outlines a number of improvements, many of which will now fall to the CAO and the Committee to enact, but also raises awareness of the necessary financial and administrative controls for offices who retain shared employees. We must better educate Members and staff on the regulations applicable to shared employees, and what steps need to be taken to ensure they are in full compliance with the law. It is often said that "sunlight is the best disinfectant." While it may be painful to do, exposing our weaknesses as they relate to shared employees is likely the best way to eliminate them,



and it is imperative that we use this opportunity to bring greater transparency to this issue.

While it is tempting to focus on the shortcomings of past protocols regarding shared employees, the more important outcome from today's hearing is our commitment to enact the IG's recommendations as soon as possible to ensure that these issues do not occur in the future. Again, I thank our witnesses for their time today, and look forward to the first of many conversations on this important topic.

Thank you, and I reserve the balance of my time.

The CHAIRMAN. Thank you. I now would like to recognize Mr. Beard for his testimony.

STATEMENT OF HON. DANIEL P. BEARD

Mr. BEARD. Thank you, Mr. Chairman, Members of the committee, I appreciate the opportunity to testify this morning on the issues associated with the recommendations in the Inspector General's report on shared employees. I want to begin by complimenting the Committee for requesting the Inspector General to undertake this report. We have known for some time that the growing use of shared employees could pose management risks and directing the IG to undertake a study was the right first step to addressing these possible risks. In addition, I want to compliment the Inspector General and his team for the quality of the report that they have prepared. Their review was thorough and professional in every regard and it provides all of us with the information we need to develop and implement the necessary policies, procedures and management controls to address these problems.

My message to you this morning is very simple. I fully support all of the recommendations proposed by the Inspector General. My office is fully prepared to implement these recommendations should the Committee so direct. The recommendations in the report provide a solid foundation on which to base corrective actions in both the short and the long-term. Given the problems described in the IG's report, the recommendation for official guidelines for shared employees is an excellent suggestion and we are prepared to work with the Committee and the IG's office to complete this document expeditiously. The Inspector General recommends we explore options for augmenting House provided Internet Technology and financial services to Members and committees. I would point out that the House budget request, fiscal year 2009, includes \$9 million to provide funding to augment financial and IT capabilities for new Members of the 111th Congress. We are prepared to develop the appropriate budget request to provide additional services for existing Members should the Committee so desire. The report's recommendation that there be a prohibition against employees serving as both House employees and contractors is both reasonable and appropriate. We do not see any problem with implementing the recommendations to provide Members and committees with a court order report identifying the full scope of employment of all shared employees.

And finally, I would highlight the report's recommendation that the New Member Orientation stress the risks to Members associated with using shared employees without strength and management controls. Since you are in the planning stages for these orientations, this is an appropriate time to develop the information and the approaches for implementing this recommendation. Again, I want to thank you for the opportunity to testify this morning and would be happy to answer any questions you might have.

[The statement of Mr. Beard follows:]

STATEMENT OF
DANIEL P. BEARD
CHIEF ADMINISTRATIVE OFFICER

Hearing Before the
Committee on House Administration
“Inspector General’s Report on Shared Employees”
May 21, 2008

Mr. Chairman, Members of the Committee, I appreciate this opportunity to testify this morning on the issues associated with and recommendations in the Inspector General’s report on “Shared Employees.”

I want to begin by complimenting the Committee for requesting the Inspector General to undertake this report. We have known for some time that the growing use of shared employees could pose management risks and directing the IG to undertake the study was the right first step to addressing those possible risks.

In addition, I want to compliment the Inspector General and his team for the quality of the report they have prepared. Their review was thorough and professional in every regard and it provides all of us the information we need to develop and implement the necessary policies, procedures and management controls to address these problems.

My message to you this morning is very simple. I fully support all the recommendations proposed by the Inspector General. My office is fully prepared to implement these recommendations should the Committee so direct. The recommendations in the report provide a solid foundation for us to base corrective actions in both the short and long term.

Given the problems described in the Inspector General’s report, the recommendation for *Official Guidelines for Shared Employees* is an excellent suggestion and we’re prepared to work with the Committee and the Inspector General to complete this document expeditiously.

The Inspector General recommends we explore options for augmenting House-provided IT and financial services to Members and Committees. I would point out the House budget request includes \$9 million to provide funding for the new Members of the 111th Congress. We are prepared to develop the appropriate budget request to provide additional services for existing Members should the Committee desire.

The report’s recommendation that there be a prohibition against employees serving as both House employees and contractors is both reasonable and appropriate. We do not see any problem with implementing the recommendations to provide Members and Committees with quarterly reports identifying the full scope of employment of all shared employees.

Finally, I would like to highlight the report's recommendation that the New Member Orientation stress the risks to Members associated with using shared employees without strengthened controls. Since you are in the planning stages for these orientations, this is an appropriate time to develop the information and approaches for implementing this recommendation.

I thank you for this opportunity to testify this morning; I would be more than happy to answer any questions you might have.

The CHAIRMAN. Thank you, Mr. Cornell, and thank you Mr. Beard. One little comment real quickly, and then I will yield to my panel and to our committee for questions. The new members when they get indoctrinated, not all of them get it. I am a mut. I didn't get it. I didn't get indoctrinated. I just got baptized right away the next day after I won the election. And I looked at the list, and I figured I'd put a caucus together called the mut caucus. There are like 90 of us, there are like 90 Members that came in sitting in this Congress right now that did not get the orientation that new Members get. And so I just need you to understand that, because I didn't get it. I didn't know anything about a shared employee at that time. As you go along it is a learning process, you know. But I wanted you to know there is 90—some members that did not get any guidance at all when we first got here, we had to learn on our own and are still learning for that matter. Any questions, anybody? I would like to recognize Ms. Lofgren for questions.

Ms. LOFGREN. I would just say, first, thanks for the report. I think it is helpful. You looked only at IT and financial people, you didn't look at the other—there is policy shared employees too. For example, the California delegation, both Republicans and Democrats meet and have a shared employee, each of us. You didn't look at those types of situations, did you?

Mr. CORNELL. No, we did not. We were primarily focused on shared employees that serviced three or more offices and that eliminated a lot.

Ms. LOFGREN. Well, but when you look at both the California Republican delegations, they are, in both cases, larger than three. I can't imagine that there would be an ability to address the kind of problems you have addressed here.

Mr. CORNELL. Exactly.

Mr. BEARD. We generally have not classified employees who serve congressional management organizations, CMOs, as shared employees, because they really aren't. What is happening now is that they are moving from one payroll to the next.

Ms. LOFGREN. It is both, and we would like to fix that if we could.

Mr. BEARD. And we do have a number of employees who are shared employees that provide other services: either photography, legislative correspondence, etc. I am running out of examples, but we do have a number in that area. But the largest number, and the ones that present the greatest problem, are the financial and the IT.

Ms. LOFGREN. In the IT area, did you take a look at—I mean, there is a reason why there is shared IT employees, because it is a complex situation, it is expensive to hire IT professionals, you really can't justify paying that kind of money for an IT professional for the amount of time each office needs an IT professional. And yet there is no centralized services that are really top notch and reliable. We don't have centralized servers. We have got them parceled out in all the members' offices. Did you take a look at how we are organizing our services in the House when it comes to IT or just the problems with the shared employees?

Mr. CORNELL. We also looked at some potential solutions, one of which would be to develop a centralized pool of employees, both in

the financial realm and IT, to provide comparable services. We think there is a lot of merit to exploring that. Even just from a pure financial perspective, we found that the average salary of a financial shared employee, for instance, is \$132,000. The comparable salary for a CAO employee with the same requisite skills and experience would be about \$68,000. If you were able to develop a pool of employees, for instance for that service, that could result in, if you extrapolate it out over the 20 financial shared employees, about \$1.2 million of savings a year. If you looked at the same thing on the IT side, I think there is a delta of about \$45,000 or so. If you extrapolate that out again, you have a significant savings.

Ms. LOFGREN. Actually, you probably have to raise the salary cap for employees on the IT side if you are going to centralize it to get the people you would really want.

Mr. BEARD. Well, you have to remember what is happening here is the shared employees are providing the service to the individual office.

Ms. LOFGREN. Right.

Mr. BEARD. But then that work is then sent to the Chief Administrative Officer's employees. And so our financial counselors and our technical service reps provide a safety net for those small businesses.

Ms. LOFGREN. But from the point of view of the member's office, it doesn't look like a safety net, it looks like an impediment that it's slowed down. And that is not a criticism. It is just we are impatient and we want to get stuff done right away. We've all got contracts because we have to get stuff done. That is not the way businesses do it. And I think it might be—maybe we could sit down with you later to see what you saw rather than take up all the hearing time, in a kind of workshop session. But I think we could make a substantial improvement in this area. I thank the gentleman for yielding.

The CHAIRMAN. Any other questions Mr. Ehlers?

Mr. EHLERS. Thank you Mr. Chairman. I must confess, since I don't use shared employees, I was astounded in reviewing your report at how many Members used shared employees and the extent to which they are used, and also the extent to which the shared employees, although they are financed by a number of different people, the extent to which they have increased their salary by working for a large number of members. It just seems a little strange to me, I suppose because we don't use an outside one, we do it all within our office. And I just wonder about the economy overall to our institution, the House of Representatives, to using this many people who are apparently earning quite a bit more money than they would if they worked for the House of Representatives.

This all comes about of course because we run this institution as if we have 435 independent business people, and that they are too free to hire and fire whoever they wish. But clearly when you are dealing with money and also with information technology because of the possibility of leakage of information, we are dealing with some pretty serious stuff here. And I would just like your opinion on that. Should we have some method of screening the outside em-

employees rather than just saying any member can go out and hire any employee? Should there be a training for these employees so they understand the House rules and the law?

And I realize this all came to light because of one person who did violate the law and is currently serving time in prison because of it. Obviously she knew what the law was and she violated it. But do we need to instruct all these shared employees specifically on the House rules and in the laws dealing with operation of the House so that they understand those? I don't think any of the—you know, if you read your report, it doesn't look like anyone is trying to break the law or trying to violate House rules, but I suspect they didn't even know that they were.

So I appreciate your comments of how you think we should address this problem. Should we have different employment practices? Should we have different training practices for shared employees? Should we evaluate whether or not we even need trained shared employees? I would appreciate your comments on all those issues.

Mr. CORNELL. I think there is definitely opportunity to tighten up the controls to start with. Part of that would be getting the appropriate training and sharing the constraints on the front end. I think the guidelines will go a long way to being able to inform the shared employees as to what the expectations are, what the limits are, and how they are expected to carry out their responsibilities. We also looked at options. There are models out there in other areas where you could have a certification program, for instance, for a financial administrator where you are expecting them to demonstrate a certain level of competence and then you could periodically have them retested or require certain continuing education along the way, just to ensure that they are staying current. At the beginning of each Congress probably have a session where you go over the rules with them to make sure that they are fully informed of what the expectations are and how they could go about doing that in a very helpful way. The same on the IT side. There are various training options. But a lot of it too is just being aware of some controls that are fairly easy to execute and put in place. Even in terms of notification—if you are going to have a shared administrator, making sure that somebody else in that office is identified as receiving the appropriate alerts so that should anything be changed or any information altered, that there is a higher likelihood that they would know something is going on and then be able to ask the appropriate questions.

Mr. EHLERS. And in terms of things such as the workshop or ensuring everyone understands the standards, you mentioned that perhaps the offices have a role to play. Would you also think that the CAO would have a role in establishing these standards and running training classes or whether we might decide we are needed? I am just trying to get some idea from you.

Mr. CORNELL. I think that would be a very good start. And I am sure Dan actually has a comment on that.

Mr. BEARD. Well, I do have a number of comments. You know, you've heard the old saying, if it ain't broke don't fix it. Well, what we are saying to you in very clear language is it is broke and we do need to fix it. We have a problem and we can't guarantee to you

and the other Members of the House that we won't be back here at some point in the future with a similar problem unless we make substantial changes in the controls, training and a number of other items. We certify contractors. The contractors that we employ for maintenance providers, we look at those companies, we look at their financials, we look at their training, we look at their technical abilities. They then provide the maintenance. They are the maintenance provider to the individual offices.

We do nothing like that for system administrators. We are assuming that the system administrator is an employee. They are not employees, they are vendors, really. So they are providing the system administrator service, and we have no controls over certification or anything else. Now, they have a fallback position, which is if they can't solve a problem they come to us and we have to solve it. Which is a pretty good deal if you are working as a vendor. We certify contractors, we have our contract office pay close attention to each one of the maintenance providers and make sure that there are no changes along the way.

The other thing that is important for Members to understand, and this is what I would stress, Mr. Chairman, at the orientation, the most sensitive information you have is contained in your computer system and in your financial records. And yet, we have employees who have access to that information. In one case, up to 28 offices, that could access any information that you have on your computer system. We don't allow that in the CAO. If somebody—we do have people who can access information, but we have a—what do we call it, the drop dead room? The mission impossible room. They can't go in unless they get two people to allow them in there. We monitor their keystrokes, we film who is in there, what they did and everything else. And that is because we want to be overly cautious and sensitive with the records and information of the individual members.

The other important thing to remember is the security of our computer system is only as secure as the weakest link we have. So if we have a weak system administrator in an office somewhere, it places all of us at risk, the whole House, from the leadership on down to everybody else in the office—everybody in the institution. And it is a very sensitive area and it is one that we have to take—we take very seriously.

Mr. EHLERS. Finally, Mr. Chairman, let me just say I have not seen any evidence of any widespread chicanery or misbehavior other than the one case that has been prosecuted, and essentially it is finished. But I think this has been a great wake-up call. And I recall when the member involved first talked to me some time ago and said you know what is going on here, why is this problem happening and so forth, and that is when we started the investigation. I think all members should learn a lesson from this, and I am sure they will. I don't want to cast—I also want to make clear I am not casting any aspersions on any of the special employees that we have now who are, from my experience with them, working with them even though we don't have one in our office, but also in talking to members who had them, they win high praise for the way they handle the finances in the office. I have not had contact with any dealing with IT. But certainly in financial affairs, they win

high praise from the people employing them. So we are not saying, look, this is a terrible system, let us throw it out. But clearly we have to build safeguards in to make sure that we don't have again what we just had. And that, I think, has to be something that we have to work cooperatively as a committee with Mr. Beard, Mr. Cornell and their respective functions to make sure we do it right and we don't have a repeat of this again, and we don't have any misappropriation of funds at any point. With that I yield back.

The CHAIRMAN. Thank you. Mr. Capuano.

Mr. CAPUANO. Thank you, Mr. Chairman. I know it has been said, and I know I have read the report and I know what the report said, but I want to say it clearly for the record. As I understand it there is no current concern about current shared employees that you are aware of engaging in inappropriate activity, is that a correct statement?

Mr. CORNELL. That is a correct statement.

Mr. CAPUANO. I know you said it, but I just want it on the record. And as I read the report, I want to make it clear again, it has been stated a couple of times, we are talking about a specific segment of shared employees, not all shared employees?

Mr. CORNELL. That is correct.

Mr. CAPUANO. And we are talking mostly about those IT, finance, and as I understand it people who are shared employees by three or more members?

Mr. CORNELL. Yes, that is correct.

Mr. CAPUANO. The reason I say that is because though I don't have any shared employees, I have participated in one of the caucuses taking one of those employees for a month here, a month there, and that is not a problem. I also see a value to it in certain instances, particularly between the caucuses. I know that there are other ways to do it, there have been other ways that have been done in the past, and maybe we should look at that in the future as to how to better do it, maybe not. There are some shared employees between different members on very specific items, policy members. There are some shared employees between committees and individuals, and as far as I know and as far as you are saying at the moment, we are not aware of any concern relative to those shared employees, is that correct?

Mr. CORNELL. That is correct.

Mr. CAPUANO. I just have a couple of questions. And my first question really is more to Mr. Beard and a little bit to you, Mr. Cornell. I want to make sure that you agree with whatever he says, or don't agree whatever the case might be. Is it possible, over a relatively short period of time, for the CAO to come up with a program whereby members would be able to access the CAO or somebody else to say we want a person who is assigned to our office who is my IT person or my finance person? Is that a scenario that is possible for CAO to accomplish in a reasonable period of time?

Mr. BEARD. Yes. It would depend on the committee helping us with the definition of the kind of structure that you want. Right now we have a structure where we have House Information Resources (HIR) and the system, or the maintenance providers as well as the system administrators in each office. But yes, we can do that, and in a relatively short period of time.

Mr. CAPUANO. Mr. Cornell, do you agree with that assessment?

Mr. CORNELL. I do.

Mr. CAPUANO. Because I personally, I mean, we haven't had that discussion yet, but I would advocate for a person to be assigned to me, if I didn't like that person, then try another person, a basic pool. But honestly I use, I don't even know who he works for, Sterling all the time, I don't know if he works for you or who he works for, but he comes to fix my BlackBerry all the time.

Mr. BEARD. We didn't hear that.

Mr. CAPUANO. Well, his wife makes him do it.

The CHAIRMAN. True to form, Michael, true to form.

Mr. CAPUANO. Honestly, I would rather pick up the phone to an individual and say, or have an individual come to my office that I have had a working relationship that my staff knows for a personal, you know a more personal relationship, as opposed to simply have a pool of people that just come. Again, if there is an emergency, that is a different situation. But that is my own personal opinion. And you think that type of situation could be worked out again in a reasonable period of time?

Mr. BEARD. Yes. In the IT area, that might be the case. In the financial area we do rotate financial counselors for reasons of management controls and security. And I wouldn't want to get into changing that policy.

Mr. CAPUANO. And I would imagine that since there are no difficulties with currently shared employees, some of those very same shared employees would be considered for some of these jobs. I mean, if they know what they are doing and they are trusted by Members, is there any reason not to consider them for entry into this type of a pool?

Mr. CORNELL. No. I would think they would be perfect candidates, except it would probably require a substantial pay cut.

Mr. CAPUANO. Well, but that is part of the reason we are having this discussion, is because there is some concern that the House as a whole is paying too much for a service that they could get equal or better service from at a reduced cost, is that a fair way to put it?

Mr. CORNELL. I would say that is a side point, but primarily the emphasis is on the controls in place right now.

Mr. CAPUANO. I also want to make it clear that as one member I have no problem with people making money. I mean, God bless them. That is what America is all about. And if they can make money, good luck to them. But at the same time, on this side of the table, our obligation is to spend taxpayers' money as wisely and as frugally as we can and still get the same service. You know, you don't necessarily know what you can get until you have options. It seems to me like we have a potential option on the table with some discussion to be had, and I, for one, look forward to doing it. But I want to make it clear that from my perspective of what I have heard you say, and again, I am repeating myself because I think it is important, there are no allegations against current shared employees, there are no concerns that we are aware of their current work habit, this is an issue relative to potential problems because of the lack of oversight and internal controls which any normal business runs into any day of the week.

I know in my campaign, I guess I can talk about it, I mean, I have no treasurer doing one thing and I have someone else balancing the books. Not for any reason. It doesn't mean somebody can't steal something, it just means that if they do, I can catch them more quickly. I think you can't stop people from breaking the law, but you can certainly make it a little bit easier to catch them. I look forward to working with you to make this a system that will, both working financially, will work with oversight and will work for the Members because I think it is important for the Members to be comfortable with the new system as well.

Mr. EHLERS. Will the gentleman yield briefly?

Mr. CAPUANO. Yes.

Mr. EHLERS. I have just one follow-up on that one point. I thought there were cases you had uncovered where employees, shared employees were violating House rules in terms of contracting out their work to others who are not House employees, is that not true?

Mr. CORNELL. That is true, and that is clearly a violation. But I thought the question was to the extent of the financial fraud that I discussed at one part of the testimony.

Mr. EHLERS. I just want to get that clear, because there are violations of current House rules. Are there any cases you uncovered of violations of law?

Mr. CORNELL. The subletting is a violation of law.

Mr. EHLERS. Pardon?

Mr. CORNELL. The subletting of responsibility is a violation of law.

Mr. EHLERS. So that has to be cleaned up immediately then?

Mr. CORNELL. Yes. And that is something I would definitely say would be first and foremost.

Mr. EHLERS. Thank you. I yield back.

Mr. CAPUANO. Thank you. Mr. Chairman.

The CHAIRMAN. Mr. Lungren.

Mr. LUNGREN. Mr. Chairman, may I just ask the two witnesses, on the suggestion of building up employees and the CAO who would help with IT and help with financial consulting or counseling, there is not the suggestion that then we would reduce Members' MRAs proportionately, is there?

Mr. BEARD. No, not on my part.

Mr. LUNGREN. I am trying to find out where the savings occurs then. Ultimately there wouldn't be any savings really occurring because I doubt if Members are going to give up their MRAs. I happen to think shared employees serve a useful purpose if a Member knows how to use them. And in some cases, if I were running my office as my office, I might think that a shared employee would be more responsive to me than someone who was not an employee. And so I think there is some reasons why Members would prefer to continue to have shared employees. And actually, it works in an efficiency way for Members. If a Member pays a partial amount of the salary of a shared employee and that shared employee does the job they need, then what concern should that Member have that other Members are receiving similar service and as a result of similar service being achieved the employee makes more than they would if they just worked for me. I mean, I don't see what the prob-

lem is with that so as long as they are not getting more than the maximum allowed, so as long as it is all above board.

So I just want to make that clear, the savings that some are suggesting may not actually occur if you don't have a proportional diminution in the MRA. One of the things that I think is clear from your report, Mr. Cornell, is that both Members and shared employees didn't know what all the rules were.

Mr. CORNELL. That is correct.

Mr. LUNGREN. And it would seem to me one of the very first things we should do is follow your recommendation, and Mr. Beard has said that he would certainly do that, to come up with some sort of guide or brochure or some written material that would do that. And I think you both agreed on that. Secondly, doesn't it seem to make sense that in addition to that we have a mandatory orientation or, what do you want to call it, seminar for both Members and shared employees to set these things out, wouldn't that make sense?

Mr. CORNELL. That would make a lot of sense.

Mr. LUNGREN. And Mr. Beard, could we do that?

Mr. BEARD. Yes, we do.

Mr. LUNGREN. And we could do that fairly quickly as soon as we have the written material done?

Mr. BEARD. Yes.

Mr. LUNGREN. I would also have an additional suggestion, which would be because shared employees are a little different than an employee that you have full-time, I would suggest that at the time a shared employee is employed, that a shared employee sign an affidavit, something along these lines, I, a shared employee, will abide by all House rules, House Administration Committee guidance and laws. And in the event that any one of these is violated, I will immediately submit my resignation.

Now, you might say they are supposed to do that anyway. But it just seems to me that if you have that along with the packet of material they receive, it sort of makes it very clear what we are talking about. Do you have any problem with that.

Mr. CORNELL. No, I think that is excellent. That is in line with what my thoughts were in that regard.

Mr. LUNGREN. Mr. Beard.

Mr. BEARD. I don't see any problem with that. Since we are talking about suggestions, there is another solution. We keep talking as if these functions have to be performed by an employee, and in fact, they don't. Many small businesses contract out bookkeeping services to corporations and they contract out IT services. If you allowed these services to be contracted out in some fashion, as we do with maintenance providers and others, there could be central controls on what information is divulged, how it can be divulged and look at the qualifications. So, that is another possibility.

Mr. LUNGREN. I appreciate that if we are just talking about bookkeepers. But talking with Members who have used some of these financial shared employees, they get more than bookkeeping. Many of them have experience in how you project forward, what your budget is going to be, how you have to figure out bonuses if you are going to give bonuses to, maybe we don't use the word bonuses, but if you are going to utilize your MRA, you want to make sure

that you give staff the amount that you can give them prorated over certain months. I mean, there is some intricacies of House rules that are different than what you would find in just an outside bookkeeping operation. And so sometimes that guidance and that working—it is more than just guidance. It is sitting down and working with them to figure out how you are doing, not just on a static analysis at the beginning of the year, but as you go along. Because I have told my staff, once we set the rule, that if we spend \$1 over what the MRA is, I pay for it, they better make darn sure we are not a dollar over. And that tends to focus the mind. Are there—with the recommendation you suggested, Mr. Cornell, that on a periodic basis, Mr. Beard's operation would give us reports with respect to the number of employers that a shared employee has.

Mr. CORNELL. Yes.

Mr. LUNGREN. Is there anything else that a Member who has a shared employee ought to know that Mr. Beard's office would help them with?

Mr. CORNELL. If we do go to a model where you have a periodic certification and required training, he would also be able to track and provide you that information, as well as not just the number of offices served, but there may be what you would consider an incompatibility based upon some of the other customers. And that way you could say, well, I am not really comfortable with having you do my IT work if you are doing the IT work in this other arena.

Mr. LUNGREN. And part of the written material that we would have and part of the seminar it seemed to me would be to stress the confidentiality for each office.

Mr. CORNELL. Yes.

Mr. LUNGREN. Because that is something I would have thought would just be accepted as a matter of course, but now that you have pointed these things out, it seems to me that is something we need to say and repeat, both for the Member's benefit and for the shared employee's benefit. Well, I thank you very, very much, and thank you very much, Mr. Chairman.

The CHAIRMAN. Any questions? Mrs. Davis, yes.

Mrs. DAVIS of California. Thank you, Mr. Chairman. Thank you both for being here. I think I have gotten the gist, and I have looked at the information prior to as well. Mr. Beard, you just mentioned about contracting out, and I was curious because is there the same concerns we have had and the issue of caps.

Mr. BEARD. No.

Mrs. DAVIS of California. Wouldn't that raise some of these issues as well?

Mr. BEARD. No, because a Member would pay for a service whatever they wanted to pay for it. It would just come out of their MRA. Right now, the problem is that many of the shared employees, some shared employees actually want to be businesses as opposed to employees.

Mrs. DAVIS of California. Right.

Mr. BEARD. And they can make more money that way. Right now they are limited to a salary of \$163,000, and there are controls on what additional income they can earn. Now, they do get the advantage of having government health care and retirement and a num-

ber of other things. But they are an employee and they are kind of stuck. If they want to become a business and actually operate like a business, you know, you wouldn't have the limits in that case.

Mrs. DAVIS of California. But the internal controls that you were suggesting would be there if you were contracting out?

Mr. BEARD. Right.

Mrs. DAVIS of California. How do you see that so differently?

Mr. BEARD. We sit down with any contractor on the IT side right now, I mean, IT providers. We go over all the records, their records, their qualifications and we monitor them on a regular basis through our contracting office, in our contract procurement office. And so as a result, we have a greater set of controls over contractors than we do employees.

Mrs. DAVIS of California. The problem that we had that somebody was working in a number of different offices, you don't think that is not possible?

Mr. BEARD. Not unless they changed the name of the company in some way.

Mr. CORNELL. I don't know if I fully agree with that in the sense that I think there are a lot of controls in place for contractors. But we also know in the IT arena, and this is something we are still looking at so we are not sure of the full extent of this, but we have situations where we could have IT vendors that have multiple employees with access per one ID access point, which presents a certain amount of risk because you may not know who specifically is doing what. We are looking into that as we speak and we hope to be able to provide more information and insight on that down the road.

Mrs. DAVIS of California. Okay. Thank you. I think the other just basic question, when you compare what people can make on the outside, and you said you know people do get benefits, but is there a point at which, you know, it would be difficult to find really good people to work here in the Capitol under those circumstances. Do you see that as a problem?

Mr. BEARD. I don't. As a general rule, shared employees make about twice what employees of the CAO make for the same functions and activities. So the House itself is providing, is paying—the Members, themselves, are paying that delta, if you will.

Mrs. DAVIS of California. Okay. Obviously we are looking at people at a high enough level that they can work quickly and move in and out of a number of different offices. And they are doing that today. I don't think we are putting restraints, but I am just wanting to see that over time, you think that those people are still going to be available.

Mr. BEARD. Well, I think we can still be competitive in the marketplace. Our salaries have been going up as we work to attract and retain employees. And there are other benefits to working for the Federal Government or for the House. Our benefit package is better and I hope will get much better over time.

Mrs. DAVIS of California. Thank you.

The CHAIRMAN. Thank you. Mr. McCarthy.

Mr. MCCARTHY. Thank you, Mr. Chairman. Mr. Chairman, I appreciate this hearing because I have heard a lot. I mean, first, if

I could follow up on a couple of what some have said, we do have a problem. One, you say something is breaking the law. Two, the information, people don't know the rules and so some people are going beyond the rules. I hear a couple different ideas on proposals. Contracting out. But then you have the fear of the information security. Mr. Beard brought up doing it in-house in your shop. Now, with all due respect, I would have concern with that.

In the past, your position was always a bipartisan one and now it is a partisan appointee, so I would probably not be the only one with that concern. So the majority would get an advantage because if they went to your shop, our MRAs are the same so they don't have to pay for it, but the Members would on the minority side.

Then I see the whole idea of shared employees. I am very positive about that. You have got experience, you are getting something at a lower dollar cost in reality because you are only paying a certain amount, but they are working for a number of others so you get more perspective there. But you have got limits on how high they can go, so that brings some of the rules changes. What I think from a couple different perspectives here, I think the Members would like to have options. If there is a way that you can keep a shared employee but you don't hit on a limit that we look at, so you can keep a perspective of knowing the rules, then we wouldn't have to—I don't know how you do the terminology, but if you don't have to do the health care benefits and the others, it is somewhat a contracting out, but you are keeping security inside.

I don't know how we make that together. And then I don't know how we go about doing something in a bipartisan manner at the CAO's office as well. Are there any other options that are not out there that haven't been talked about yet, Mr. Cornell?

Mr. CORNELL. I am not aware of others, but I am sure there could be some innovative approaches that we have not discovered. I think what you have are several very good options to pursue and refine that would provide Members several different ways of which they could choose to go.

Mr. MCCARTHY. Any other ideas you see, Mr. Beard?

Mr. BEARD. I think throwing out that other idea wasn't such a good one. You know, when we read the report we talked about it internally, and we concluded that the suggested approaches, the recommendations made in the report, were the best ways that we could quickly fix the present system for the short and the long-term over the next 6 to 9 months certainly. And if the committee wants to move in a different direction or have a different set of recommendations, it would probably be something that we would have to institute in the 111th or 112th Congress. It will take a while to figure it out.

Mr. MCCARTHY. Have we studied any matrix of seeing what technology is today based upon what it was in the past and seeing what the MRA is today and the make-up of an office? I always see within government that we are the last to modernize when it comes to technology than everywhere else because it is not driven by the free market within there. Have we analyzed the make-up of the office itself, and maybe even the MRA, being able to do something in that manner as well?

Mr. BEARD. I am not aware of anything on that side of things. I think there has been a change in many of the physical aspects associated with an office. Mr. Ehlers, for example, doesn't have any filing cabinets. You don't need any filing cabinets anymore. There is a technology available to do that. But in terms of sitting down and trying to figure out the office of the 21st century, are 18 employees sufficient for Members, should we have more, should we have less, should we have greater flexibility? At least the time I have been here we haven't had any of those kind of discussions. I think it would be useful.

Mr. MCCARTHY. I think it would be very productive. I am one that started interning in Congress and we used to have carbon paper, the pink sheets and all the names on little cards. In today's world, you got much more information at your fingertips by not having those file cabinets in others, and in the make-up of the offices where you would look at what office you want by the number of file cabinets you had. You don't need that. But with the movement of technology we could actually talk about saving money in the long-run, maybe even having less employees being able to be more efficient and do more. So I do appreciate the Chairman having this hearing. I just look at some of the recommendations and I don't see the answer right out there for us.

One, I do think we need greater education, but I don't think going to the CAO is an answer, because I will tell you personally, I won't go there because of a comfort level that it became a partisan appointee, so then it becomes an advantage. Then I have to spend my MRA on doing something that the majority would not be—that have a greater comfort to do. So I think there are other options that we can look at and maybe discuss in the future, but I yield back.

The CHAIRMAN. Yes, Mr. Capuano.

Mr. CAPUANO. Mr. Chairman, first of all, I don't think the CAO is a partisan employee. I think the last CAO was a partisan employee. This one is not a partisan employee. Different views, different opinions. I would hope that the office is not partisan regardless of who appoints the individual. That is my opinion, and I understand we disagree. But I want to make it clear that I do disagree with the fact that the CAO, in your opinion, is——

Mr. MCCARTHY. Would you yield for one second?

Mr. CAPUANO. Sure.

Mr. MCCARTHY. And let me clarify my statement. As I came to this body, I listened on the floor because one of our first moves was the CAO's office. And I listened on your side to Mr. Hoyer. Mr. Hoyer told the story of how the CAO came to fruition and how you used to have a committee made up of two Democrats and two Republicans, regardless of what the make-up was in the majority here. And they would interview and he was part of this time and time again. And they went through, they interviewed somebody and they selected him.

Mr. CAPUANO. Reclaiming my time. If that is the case, we are going to have to talk about this committee. Because people who served on this committee, before I got here, told me repeatedly the Democrats, when they were in the minority, weren't even consulted, weren't even told about contracts, weren't told about tele-

communications. And I believe that Mr. Brady and Mr. Ehlers are working together to get rid of that past history. Just because somebody says what may or may not have happened in the past, that is all well and good. But I am more interested in the current and I am more interested in the future.

And as far as I am concerned in the current situation, we have a bipartisan office of the CAO. There is no history, there is no indication that I am aware of that anything they have done or anything that they are planning on doing is done on a partisan basis that I am aware of. And if you think there is, then I think you should bring it to the attention of the chairman.

Mr. MCCARTHY. Well, if I could just clarify a statement. One thing I am saying here, and listening to the point I was trying to make, the way it changed in the process is we didn't have a committee that selected. This is not about Mr. Beard, this is about the office itself.

Mr. CAPUANO. Mr. McCarthy, reclaiming my time, I really think that maybe you got to do some more work on what the CAO did while they were in office. They did things in that office that weren't even told to the minority. And I believe that is the kind of discussion maybe we should have outside the public eye. But I can repeat them point by point on what was not told to the minority by the past CAO. My hope and my presumption is that is not happening now. And if it is, I will do everything I can, and I am sure the chairman will, to rectify that.

The idea is to have somebody there regardless of how they are appointed who will play fair on a day-to-day basis and treat us as individual Members as opposed to partisan Members. And again, if that is not happening now, I think you should bring it to the attention of the chairman and bring it to the attention of this committee and we will address it. Because I think on a repeated basis, I think this committee thus far has worked very well on a bipartisan basis. We have differences on philosophies, and that is fine. But I haven't noticed anything that has indicated a partisan split on this committee up until now.

Mr. MCCARTHY. My comment was nothing about this committee. Because I will say I am the one who served on looking at Florida 13. And we came to a bipartisan—every single motion that is in there was unanimous. You and I work on a lot of different committees within here, and I feel that we work towards in that manner. But what you are telling me is also what I feel is making my point. If you felt a CAO that was hired in a bipartisan manner was not fair to you, then you have got to understand what I am feeling. If it became a bipartisan appointee, I would not then feel uncomfortable. But these are private things going there, so I am saying that is not the answer.

Mr. CAPUANO. I am not suggesting you feel comfortable. I am suggesting that if you are going to say something is partisan or bipartisan or is too partisan that you need to come up with specific ideas, a specific concept of what actions have been taken. And I am not suggesting this is the place or the forum. That is up to you.

Over time, I would like—I suggest—I am asking you, as a Member of this committee—we have worked together on other things. I would like to know if you think you are being treated unfairly not

just by the CAO but by anybody else. Now, again, that is philosophical differences. We all understand that. But on these things this is not philosophical.

Mr. MCCARTHY. I agree. I think the way we work here is fantastic. If you want an example, I would say you go back to when the CAO goes forward, it is bipartisan, regardless of who is in the majority, and equal basis—

Mr. CAPUANO. Well, first of all, he has only been around for a few years, and last year we were as tired as hell, so I think this is an improvement.

But the last thing I want to say is I want to make it clear that, relative to shared employees, that if the idea is to get to the free marketplace, which I have no problem with, the free marketplace also requires a level playing field. A level playing field means the same rules, the same costs, the same benefits.

Now, correct me if I am wrong, but an employee of the House gets health insurance. It does not come out of our MRA. It comes out of the general House account. An employee gets pension payments that do not come out of our MRA. It comes out of the taxpayers, but not out of our MRA. A shared employee also has payroll taxes paid, not out of our MRA, yet out of the general House accounts.

Yet a contractor has to pay for their own health insurance, which is a significant amount of money. A contractor has to pay for their own pension benefits, and a contractor has to pay for their own payroll taxes. Just off the top of my head. There may be other benefits, as well.

I am not suggesting, I am simply saying that if we are going to stick with shared employees that are doing contractors' work, then I think we need to find a way to level the playing field. So that if you want to feel comfortable—I perfectly agree with you that you should have options. We all should have options. I totally agree. But those options should be on the basis of fair costs and fair returns for those costs.

If we are going to say we are going to have somebody doing something that is not a technical full-time employee, fine, but let's level the playing field. If you want to go outside, fine, go to a contractor who has the same costs, the same overhead as everybody else, as opposed to somebody who has a significant benefit, which means no health insurance costs, no retirement costs and no payroll tax costs. Those are major costs in the private world.

I am simply saying that these people have a significant benefit. If we want to do that, we need to be conscious of it; and we have to have that discussion as we go forward. I just want to make that point.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Mr. McCarthy, one thing I wanted to share with you—a little troubling that you would not go there—I need to try to get you to a comfortable level that you would go there.

Just to give you a couple of examples, I have been to Mr. Beard many times on different occasions where people come up to me with a problem; and he has never, not once, said who is it? Who is it for? Is it for a Democrat? Is it for a Republican? There were

a couple that were quite evident that it was for somebody of—not the same party that I was with, and he gave us service. That is the way I would expect him to, no matter who it would be.

I can understand from past experience, because I have a lot of issues from past experiences, but I would like to try to move forward, especially this committee. If there is a problem, I wish that we would do it together. I can't imagine Mr. Beard, anything that is legitimate and reasonable, would not bend over backwards, as he has done for me many, many times; and I want to keep that going.

I mean, we had a problem. We had an employee have a problem that reflected on Congress. We had to fix that problem. We didn't fix it. The court fixed the problem. We ask the IG and the House Administrator come in and share with us and give us his report, which I do accept and I do support the report and the recommendation that you make.

Do we need more? Absolutely. That is why we need to be here. Do we need education? I need education. I am a mutt. I told you that. I didn't get an education when I first came to Congress.

Do the shared employees need to be educated? Absolutely. That is why we are having this hearing.

Do we want to eliminate them? No, we want to make sure that they don't abuse the process.

In any other way possible, with your cooperation, the best thing I heard here is, and the thing that I would like to hear, is both of you are cooperating and working together, both saw the report, both agree with it.

Can there be other things that we can do? Absolutely. But we need to start and at least get the process going and let the people know our heads aren't in that sand. Your head isn't in the sand. You are testifying here in front of us. You also, Mr. Beard, are testifying in front of us.

We need to listen. We need to implement them. There is something good to be implemented by Mr. Beard that we could do tomorrow, what he thinks is right and what you think and you think and you think are right. We will try to get that done. We need to protect ourselves here. It's just that simple.

Yes, Mr. Ehlers.

Mr. EHLERS. Thank you, Mr. Chairman.

I didn't realize you were a mutt. I am also a mutt.

The CHAIRMAN. Remind me of this.

Mr. EHLERS. I am a Chihuahua, because I am a mutt without hair.

But I guess we all have different perceptions of certain actions that are taken around this place, and I think that is showing up here.

I will freely admit that one of the CAOs we had was quite partisan, and I believe the other was not, really tried to be fair to everyone. But, as you say, it is in the perception of the recipient of the services or lack of services.

But I think our main point here is that we have discovered a problem, the IG has examined it very closely, I believe our committee now fully understands the problem, and we are going to do up some answers to it.

Serving in public service brings with it some major obligations to the taxpayer, and among those is hard work, honesty, and we have to make sure that always takes place. I am willing to work with you and with the IG and with the CAO to make sure that we solve this problem and that there is no doubt in our mind or the public's mind that people working here are following the rules of the House, they are following the laws of the United States government, and they are getting the job done efficiently, expeditiously. That is our goal, and I am certainly going to commit to working with you on that.

The CHAIRMAN. Thank you. I think we all agree on that. We will get Mr. McCarthy to a comfort level, no matter how long it takes.

I appreciate it, Mr. Cornell. I appreciate it, Mr. Beard. Thank you for testimony. Thank you for being here today. We appreciate that.

This hearing is now adjourned.

[Whereupon, at 12:08 p.m., the committee was adjourned.]